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To The

Charter Review Commission  
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**Introduction**

I appreciate the opportunity to meet with you. Through Council staff, you asked me to address the following:

- How has the OIG contributed to the welfare of the County?
- What are the advantages/disadvantages of the current selection process?
- What are the advantages/disadvantages of an Executive-nominated, Council-confirmed Inspector General?

I think it is important to share with you that I am not clear as to the underlying reason(s) regarding a possible change in the County's inspector general selection process. Recognizing that the Council, Executive, and taxpayers want an OIG that serves as an independent force for promoting integrity and efficiency while combating fraud, waste, abuse, and mismanagement in all Council-funded programs and activities, my experience over the past three years and the OIG's performance results suggest the current model is the best option to address these challenges and move forward. As other options are considered, I want to learn more about the expectations of County leaders for the OIG and contribute to a framework that strengthens the County's system of management and controls used to ensure: accountability for leadership actions; fiscal accountability; independence in internal and external audits; and transparency of operations.

As an ambassador and member of the Board of Examiners for the Baldrige National Quality Program for the past several years, I have relied on a systems perspective to establish a Montgomery County OIG capable of effectively assessing risk and overseeing audits and investigations needed for County programs that in fiscal year 2008 exceeded \$4 billion in operating expenses and generated a multi-billion dollar capital improvements program budget.

County leadership's recent decision to begin use of the Baldrige Criteria for Performance Excellence to improve results is an opportunity for the Executive, Council, and Inspector General to rely on the independence of the IG to foster new initiatives to improve integrity, accountability, and excellence in all County programs as a means to reduce or eliminate problems. Three years ago, when I competed for the inspector general position before a Council panel co-chaired by two federal inspectors general (both Montgomery County residents), it was the independence of the inspector general and a focus on new initiatives to move the OIG forward that received priority attention. Not surprisingly, these are the key factors that have helped the OIG make significant contributions to the

welfare of County over the past three years. The performance results I discuss briefly with you this morning cut across the Executive Branch, Council, and independent Council-funded agencies, including Montgomery County Public Schools, Montgomery College, the Planning Board, and the Washington Suburban Sanitary Commission.

With this background information in place, I will use a prepared statement to address your specific questions. A copy has been provided to you and will be available to other interested parties at the OIG's website (<http://www.montgomerycountymd.gov/ig>).

**How has the Office of Inspector General contributed to the welfare of the County?**

Let's look at some examples of recent OIG accomplishments that have been highlighted in a recent OIG Bulletin and annual reports.

**Funds recovered or put to different use - \$17.1 million**

Seven Locks Elementary School - \$14.1 million in capital funding allocated by the Council in May 2004 for a new school was withdrawn by the Council in May 2006 and put to a different use (February 2006 audit report).

MCG Overtime Compensation – the FRS FY 2008 overtime budget recommended by the Executive in March 2007 was reduced by \$3 million by the Council in May 2007 (April 2007 audit report).

**Questioned Costs or Potential Savings - \$11.3 million**

Worker's Compensation - \$182,000 in potential savings attributable to the lack of a "light duty" return-to-work program for Montgomery County Public Schools employees (July 2006 audit report).

Procurement Fraud – a \$500,000+ contract awarded for athletic field lighting upgrades was reversed by a MNCPPC hearing officer after a bid protest appeal that triggered a joint OIG/State criminal investigation (April 2007 decision).

Development District Funding - \$9.5 million recommended in the Executive's FY 2007 capital budget for road construction reimbursement to Clarksburg developer may be terminated or modified by the Council (September 2007 audit report).

Overtime Compensation - \$1.1 million in questioned overtime payments to FRS employees based on unapproved or improperly approved timesheets (April and December 2006 audit reports). An OIG follow-up audit was started in January 2008.

**Fraud, waste, and abuse matters issued to management – 27**

Recovery agent scheme - \$65,000 in checks issued by the Department of Finance triggered a 2007 joint OIG/prosecutor criminal investigation, resulting in a guilty plea by a North Carolina man and sentencing that required court-ordered restitution (investigative report to prosecutor).

OIG validated a complaint that alleged an employee unsafely transported three children in a County-owned vehicle. The investigation disclosed management was not aware the employee drove his children to/from private day care daily.

OIG validated complaints that a police department civilian improperly used a law enforcement equipped vehicle to commute on a daily basis.

A joint OIG/management investigation disclosed that an employee's timesheets improperly claimed time spent attending college courses as official work hours.

The OIG is currently investigating allegations that a County department authorized full payment to a company doing County business as a result of a contract or a non-competitive Council-approved grant, even though it appears all products and services were not delivered in a timely manner, if at all. I encourage the Commission to consider how a change in the inspector general selection process might impact the authority or ability of the OIG to conduct this type of investigation.

#### **Joint investigations with prosecutors – 6**

Pyramid scheme – a joint OIG/State investigation led to a felony indictment of an employee who used the County's email system to help carry out a pyramid scheme whose victims included co-workers.

OIG and State investigations are in progress regarding the integrity of information presented to the Montgomery County Planning Board by certain developers or their representatives. Allegations include, for example, that an unlicensed engineer repeatedly included inaccurate, false, or misleading information on land development applications.

#### **Percentage of audit recommendations accepted by management – 67**

Most audits undertaken by the OIG over the past three years focused on higher risk programs or expenditure categories – areas that had not been independently audited for at least the past 10 years. Some of the audit findings and recommendations not accepted by management were ultimately addressed by the Council.

#### **Results Summary**

While the annual costs for OIG audits and investigations over the past three years averaged about \$600,000 (using five full-time positions), the findings and recommendations reported to the Executive and Council resulted in recoveries, funds put to better use, questioned costs, and potential savings that totaled more than \$28 million in taxpayer funds.

#### **What are the advantages and disadvantages of the current selection process?**

My inspector general experience at the federal and state levels, combined with the OIG's accomplishments here in Rockville over the past three years, lead me to conclude that the advantages of the current Council selection and reporting relationship are many, while the disadvantages, if any, are inherent in the inspector general community.

With regard to the Executive–Council appointment factors the Commission is considering, it is important to incorporate independence requirements in the analysis, and remember that the overarching goal of the inspector general community is to improve, using quantifiable results, the performance and accountability of government programs and operations.

### **What are the advantages and disadvantages of an Executive-nominated, Council-approved Inspector General?**

Although initial legislation proposed by County leaders in 1997 placed the IG under the Executive Branch, the performance results shared with you this morning suggest that the OIG, as an office of the Council, is in the right place. An OIG without independence or clear authority to audit and investigate matters related to all Council-funded programs cannot achieve its intended purposes.

In addition, the current OIG structure is conducive to expanding on one of the more important OIG initiatives – a successful fraud hotline pilot program capable of being used by all employees and contractors funded by Council appropriations. The hotline relies on a dedicated, toll-free number managed by an OIG contractor 24 hours a day, seven days a week. The terms and conditions of the hotline contract recognize that many hotline reports received by the OIG contain confidential information that requires an appropriate level of protection.

### **Other Jurisdiction Selection Processes**

During your deliberations, I encourage you to obtain a diverse set of perspectives from County leaders, taxpayers, and the inspector general community regarding criteria to use to establish and maintain an environment conducive to an effective OIG in County government. Two valuable resources are the President’s Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE). The Inspector Generals shared website can be found at [www.ignet.gov](http://www.ignet.gov). In addition, many local government IGs, including Montgomery County, are members of the Association of Inspectors General. Other sources for OIG standards included Government Auditing Standards (revised July 2007), the Association of Certified Fraud Examiners, and the Government Finance Officers Association.

Regarding the IG selection process, I also want to share a personal experience and two examples:

- In 1996, while I was working at the Postal Service OIG, Congress became concerned about the independence of the office because the IG reported directly to the Postmaster General – the chief executive of the Postal Service. Congress took the bold step of changing the long-standing authority of the Postmaster General to appoint the IG by passing legislation that required the IG be appointed by and report to the nine-member Board of Governors – a Board that in many ways is Montgomery County’s equivalent of the Council. Congress believed this change was necessary to maintain the independence and objectivity of the OIG.

This change was, in my opinion, necessary for the OIG to properly serve all Postal Service stakeholders.

- Another example close to Montgomery County is the Washington Metropolitan Area Transit Authority (“Metro”) – in April 2006, the Metro Board of Directors replaced the Office of Auditor General who reported to the General Manager with an Office of Inspector General that reports directly to the Board. In approving the resolution that created the new OIG, the Board stated “The OIG shall have the greatest possible independence and freedom from interference ...”. With Metro’s annual operating budget about \$1 billion, the new OIG has an authorized complement of between 25 and 30.
- The New Orleans City Council recently approved a \$3.4 million budget for a newly created office of New Orleans Inspector General. The new OIG, appointed by the City’s Ethics Review Board, will have a staff of about 30 to provide audit, investigative, and related services for the City of New Orleans that has an annual budget of approximately \$460 million.

Finally, 30 years after the inspector general model was first introduced at the federal level, and as the PCIE and ECIE have helped make improvements, the value of OIGs appears to be gaining credibility throughout state and local jurisdictions. For example, within the past three months, I have received calls from two other Maryland counties and another in Virginia seeking insight into Montgomery County’s use of an OIG to help strengthen checks and balances as public officials look to improve their decisions regarding the best possible use of federal, state, and county tax dollars to address the needs of all stakeholders.

Thank you for the opportunity to make this presentation to the Commission today.